

NICHE-SEARCH

WORKSHEET 4 OF 9

# Obsolete-Stock Write-Off Planning Worksheet

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*Use when stock has exceeded 365 days without a sales transaction and no buyer has been identified at any realistic price.*



Complementary worksheet for  
*Inventory Optimization Techniques*  
by Ibrahim Anwar

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## What This Is For

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Stock that has sat in the warehouse for more than a year without a single transaction is not inventory in any operational sense. It occupies physical space, holds accounting value that the balance sheet treats as an asset, and has likely passed the point where any realistic buyer will pay anything close to the original purchase price. The question at this stage is not whether to release it — it is how to account for the release correctly and what documentation PSAK 202 requires to support the write-off.

This worksheet guides the operator through a write-off that stands up to auditor scrutiny. The key discipline it enforces is the separation between what has already been provisioned in the aging schedule and what additional P&L impact the write-off actually produces. In many cases — if the quarterly provision policy has been running consistently — a write-off of long-aged stock produces zero additional income statement impact because the provision already reduced the balance sheet value to zero. The worksheet makes that calculation explicit so the operator is not surprised by the accounting treatment when they bring it to the accountant.

## Benefits

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What you get when you actually run this worksheet on a real situation:

- Separates the accounting impact of a write-off (net write-off amount after deducting existing provision) from the gross book value, preventing the owner from overstating the financial pain of the action.
- Documents the NRV evidence PSAK 202 requires — secondary market prices checked, offers declined, vendor return refused — so the write-off has a defensible basis rather than an undocumented adjustment.
- Clears the balance sheet of assets that no longer represent realizable value, making subsequent financial statements more credible to lenders and investors.
- Frees physical warehouse space that was occupied by non-moving goods, with a documented accounting basis for the clearance.
- Creates a per-SKU record of why stock became obsolete that feeds back into future procurement decisions for similar product categories.

## Framework To Use

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### — Provision-Adjusted Write-Off Calculation

*The net write-off amount is not the full book value. It is book value minus estimated salvage value minus provision already recorded. Knowing this prevents double-counting the loss.*

<b>BALANCE SHEET BEFORE WRITE-OFF</b>	<b>BALANCE SHEET AFTER WRITE-OFF</b>
<p>Stock line at full book value. Contra-asset account shows provision already recorded. Net inventory on balance sheet = book value minus provision. Stagnant stock inflates the gross figure without corresponding realizable value.</p>	<p>Stock line reduced by write-off amount. Contra-asset provision reduced by same. Net inventory unchanged if provision fully covered the written-off value. P&amp;L impact only for the portion not covered by existing provision.</p>

## How To Use

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Follow these steps in order. Each one builds on the previous.

- 1 Step 1: Pull the list of all SKUs with more than 365 days since last sales transaction from the stock record. These are the candidates for this worksheet.
- 2 Step 2: For each SKU, fill in the original purchase price per unit and units on hand. Calculate total book value as units multiplied by purchase price.
- 3 Step 3: Estimate salvage value per SKU. This must be based on real evidence: secondary market prices on marketplace platforms, actual offers received from approached buyers, or auction estimates. Write the source of the estimate in a note column.
- 4 Step 4: Pull the provision already recorded for this SKU from the quarterly aging schedule. For stock over 365 days, the provision rate should be 100%, meaning provision already recorded equals full book value.
- 5 Step 5: Calculate net write-off amount: total book value minus estimated salvage value minus provision already recorded. If provision already covers book value fully, net write-off is zero — only a balance sheet reclassification occurs.
- 6 Step 6: For each row, document why no buyer was found at a realistic price: date secondary market was checked, specific offers declined with dates and amounts, and vendor return status with the date the return was refused.
- 7 Step 7: Bring the completed worksheet to your accountant. Confirm the journal entry treatment before posting. For rows with net write-off greater than zero, the accountant will record additional expense in the current period.
- 8 Step 8: After write-off is complete, physically remove or segregate the goods from inventory. The stock should not remain in an active storage location after accounting removal.

## Example Use

*A building materials distributor has three SKUs that have been idle for over 400 days. Two were specialty tiles ordered for a project that fell through; one is an old model of pipe fitting superseded by a newer standard.*

The specialty tile (model SA-400, terracotta finish) shows 48 boxes in stock at \$22 each. Total book value: \$1,056. The operator checked two marketplace platforms last week — the same tile is listed by other sellers at \$8 per box with no visible buyer activity. Estimated salvage value: \$384 (48 boxes at \$8). Provision already recorded in the aging schedule: \$1,056 (100% provision on 400+ day stock). Net write-off amount: \$1,056 minus \$384 minus \$1,056 = negative \$384. The formula produces a negative number because the provision over-covers the book value after salvage — in practice the write-off eliminates the book value and the provision together, returning \$384 if the salvage sale proceeds.

The second tile (model SA-401, slate gray) has 31 boxes at \$24 each. Book value: \$744. No secondary market listings found. A tile contractor was approached and offered \$5 per box — total \$155. Vendor was contacted; they refused return because the line was discontinued. Provision: \$744 (100%). Net write-off: \$744 minus \$155 minus \$744 = negative \$155. Again, any proceeds from the \$155 sale become a reversal of the provision.

The pipe fitting (model PF-32B, old standard) has 220 units at \$3.40 each. Book value: \$748. No secondary market activity found — the new standard has replaced this fittings dimension. Vendor declined return. Salvage value estimated at scrap metal price: approximately \$0.30 per unit, total \$66. Provision recorded: \$748 (100%). Net write-off: \$748 minus \$66 minus \$748 = negative \$66. Same pattern.

The operator brings three rows to the accountant: all three have net write-off of zero (or less) because the provision policy was running. The income statement impact of the write-offs is nil. The balance sheet shrinks by \$2,548 in gross inventory and the same amount in the contra-asset provision — net inventory is unchanged. The physical goods are moved to a segregated disposal area.

The lesson documented at the bottom of the sheet: all three items entered the warehouse without a vendor return clause. Future specialty tile purchases will require a return clause or a firm committed order from the end customer before purchase.



## Reflection Prompts

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*After filling in the worksheet on the previous page, work through these.*

1. Column 7 = column 4 minus column 5 minus column 6. If provision from the quarterly aging schedule already covers the full book value (column 6 is equal to or greater than column 4), the write-off produces zero additional P&L impact — only a balance sheet reduction of the contra-asset. Confirm this calculation with your accountant before posting the journal entry.
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2. For each row: document why no buyer was found — secondary market prices checked on which date, offers declined on which date and at what price, vendor return refused on which date. This documentation is the NRV evidence PSAK 202 requires. Without it, the write-off is a number without a defensible basis.
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# Tips and Traps

## TIPS

- If provision was running consistently at 100% for stock over 365 days, the write-off produces no new P&L hit. Confirm this with the accountant before treating it as a painful decision — the pain was already recognized in earlier periods.
- Document the NRV evidence at the time of write-off, not after. Auditors expect the evidence to predate the decision, not to be assembled retrospectively to support it.
- For write-offs with a salvage value above zero, check whether VAT treatment on the salvage sale differs from normal sales. Some salvage transactions require separate documentation from the tax office.
- After completing the physical clearance, walk the warehouse area where the written-off stock was held. If the space was previously inaccessible or disorganized, the write-off is an opportunity to improve the warehouse layout.
- If the same product category has produced multiple write-offs in two consecutive years, bring that pattern to the next S&OP meeting. The purchasing policy for that category needs a structural change, not just better forecasting.

## TRAPS

- Treating the provision already recorded as money set aside. It is an accounting contra-account, not cash. The write-off converts an accounting estimate of loss into a confirmed loss — it does not access a cash reserve.
- Writing off stock to zero on the books while leaving it physically in the warehouse in the active shelving area. Physical and accounting removal should happen in the same week.
- Accepting a verbal estimate of salvage value without a written quote or reference to a marketprice source. Verbal estimates do not satisfy the NRV evidence requirement.
- Delaying the write-off for another quarter because 'something might come up.' If the stock has 400 days of no movement and no credible buyer at any price, one more quarter does not change the outcome — it adds carrying cost and delays the balance sheet cleanup.
- Forgetting to adjust the aging schedule in the next quarter after the write-off. Stock that has been written off must no longer appear in the aging schedule calculation.

# Appendixes

## Appendix A — Net Write-Off Calculation Summary

For each SKU:

Step 1: Total book value = units on hand × purchase price per unit

Step 2: Estimated salvage value (documented evidence required)

Step 3: Provision already recorded (from aging schedule)

Step 4: Net write-off = Step 1 - Step 2 - Step 3

Interpretation:

Net write-off > 0 → additional P&L expense in current period

Net write-off = 0 → balance sheet reclassification only; no P&L impact

Net write-off < 0 → provision exceeded book value; excess reversal possible if salvage sale proceeds are received

Journal entry (confirm with accountant):

If net write-off > 0:

Dr	Inventory write-off expense	\$__	
Dr	Inventory obsolescence provision	\$__	(existing provision amount)
Cr	Inventory – stock account	\$__	(full book value)

If net write-off = 0 (provision = book value):

Dr	Inventory obsolescence provision	\$__
Cr	Inventory – stock account	\$__

## Appendix B — NRV Evidence Documentation Checklist

For each SKU being written off, at least one of the following must be documented in writing and dated before the write-off is recorded:

- Secondary market price check (platform name, date, price observed): \_\_\_\_\_
- Offer received from approached buyer (buyer type, date, amount offered): \_\_\_\_\_
- Offer declined by operator (reason, date): \_\_\_\_\_
- Vendor return request made (date, vendor response): \_\_\_\_\_
- Vendor return declined (date, reason stated): \_\_\_\_\_
- Physical condition confirmed as unsaleable (person inspected, date): \_\_\_\_\_

Minimum required: at least two of the above, at least one dated within the past 90 days.

## Appendix C – Post Write-Off Procurement Lesson Log

SKU written off: \_\_\_\_\_

Product category: \_\_\_\_\_

Root cause of obsolescence (circle one):

- a) Demand assumption wrong at purchase
- b) Market shifted after purchase
- c) Promotional campaign underdelivered
- d) Technology superseded
- e) Regulatory change

Procurement change applied going forward:

\_\_\_\_\_

\_\_\_\_\_

Vendor return clause negotiated for future purchases? Y / N

If N, what prevented it? \_\_\_\_\_



WHERE THIS WORKSHEET COMES FROM

# Inventory Optimization Techniques

*Stock That Sleeps Is Capital That Is Locked*

by Ibrahim Anwar

This worksheet is one of nine in the *Inventory Optimization Techniques* companion worksheet pack. The full pack is grouped into three categories: high-volume worksheets you can run weekly, niche-search worksheets for rare but high-value situations, and specific-case worksheets that walk you through a single concrete scenario.

Every framework, decision filter, and figure used in these worksheets is drawn from the chapters of the source book. The book sets the diagnosis, the worksheets give you the form to act on it.

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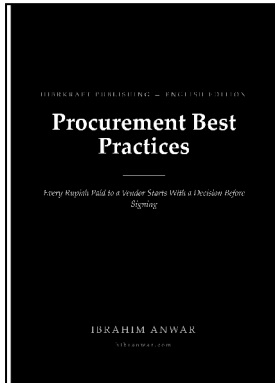
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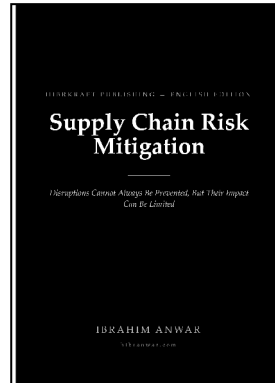


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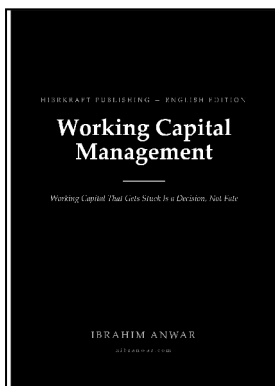


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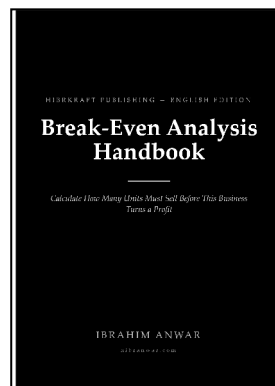


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